TO THE MEMBERS OF THE ASSOCIATION OF PROFESSIONAL ENGINEERS OF ONTARIO

We have audited the accompanying financial statements of the Association of Professional Engineers of Ontario, which comprise the balance sheet as at December 31, 2011, and the statement of revenue, expenses, and changes in the operating reserve and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association of Professional Engineers of Ontario as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte.

Chartered Accountants
Licensed Public Accountants
April 13, 2012

BALANCE SHEET
AS AT DECEMBER 31, 2011

			2011	2010
ASSETS	CURRENT	Cash in interest-bearing accounts	**$ 794,808**	$ 2,245,695
		Marketable securities at market value	**3,379,767**	12,113,603
		Accounts receivable	**1,086,691**	258,241
		Prepaid expenses and deposits	**245,858**	189,070
			5,507,124	14,806,609
	Capital assets (Note 3)		**36,908,779**	28,559,805
	Derivative asset (Note 5)		**–**	20,970
	TOTAL ASSETS		**42,415,903**	43,387,384
LIABILITIES	CURRENT	Accounts payable and accrued liabilities	**1,423,467**	1,711,683
		Fees in advance and deposits	**8,592,054**	8,698,335
		Current portion of long-term debt (Note 5)	**830,000**	808,000
			10,845,521	11,218,018
	LONG TERM	Long-term debt (Note 5)	**11,100,000**	11,930,000
		Derivative liability (Note 5)	**746,901**	–
		Employee future benefits (Note 6)	**6,250,139**	5,787,807
	TOTAL LIABILITIES		**28,942,561**	28,935,825
	Operating reserve (Note 7)		**13,473,342**	14,451,559
	TOTAL LIABILITIES AND OPERATING RESERVE		**42,415,903**	43,387,384

On behalf of council: J. David Adams, P.Eng., MBA, FEC, president; Denis Dixon, P.Eng., FEC, president-elect

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

		2011	2010
OPERATING	Excess of revenue over expenses	**$ 24,794**	$ 1,892,110
	Add (deduct) items not affecting cash		
	Write-off of building improvements	**945,247**	
	Amortization	**1,330,565**	921,461
	Employee future benefits	**1,930,337**	1,400,622
	Loss (gain) on disposal of marketable securities	**280,420**	(432,356)
		4,511,363	3,781,837
	Change in non-cash working capital items (Note 11)	**(1,279,735)**	743,437
		3,231,628	4,525,274
FINANCING	Repayment of mortgage	**(808,000)**	(1,786,000)
	Contributions to employee future benefit plans	**(1,468,005)**	(847,606)
		(2,276,005)	(2,633,606)
INVESTING	Proceeds of disposal of marketable securities	**17,030,330**	1,429,244
	Acquisition of marketable securities	**(8,812,054)**	–
	Additions to capital assets	**(10,624,786)**	(4,299,148)
		(2,406,510)	(2,869,904)
Decrease in cash		**(1,450,887)**	(978,236)
Cash, beginning of year		**2,245,695**	3,223,931
Cash, end of year		**$ 794,808**	$ 2,245,695

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN THE OPERATING RESERVE

YEAR ENDED DECEMBER 31, 2011

		2011 Operating reserve (Note 7)	2010 Operating reserve (Note 7, 16)
REVENUES	P.Eng. revenue	$ **14,224,220**	$ 13,975,353
	Application, registration, examination and other fees	**5,189,979**	5,120,789
	Investment income	**546,602**	474,878
	Advertising income	**409,690**	459,684
	Building operations (Note 4)	**2,354,380**	2,320,336
		22,724,871	22,351,040
EXPENSES	Full-time staff salaries/retiree and staff future benefits	**9,659,586**	8,989,331
	Occupancy costs (Note 4)	**652,279**	617,580
	Purchased services	**1,331,419**	1,241,046
	Legal and tribunal	**1,159,134**	654,131
	Engineers Canada	**825,979**	802,812
	Volunteer business expenses	**945,188**	800,534
	Contractors and temporary staff	**341,088**	247,072
	Chapters (Note 14)	**598,260**	550,902
	Postage and courier	**641,278**	550,254
	Consultants	**274,272**	286,322
	Amortization	**728,513**	514,568
	Computers and telephone	**612,297**	694,687
	Transaction fees and commission	**415,953**	394,809
	Insurance	**139,747**	136,199
	Advertisement	**185,950**	127,385
	Printing and photocopying	**142,768**	211,965
	Office supplies	**116,729**	140,446
	Staff business expenses	**167,161**	171,676
	Recognition, grants and awards	**161,292**	165,635
	Training and development	**64,715**	106,561
	Building operations (Note 4)	**2,267,212**	2,280,877
		21,430,820	19,684,792
Excess of revenue over expenses before the undernoted		**1,294,052**	2,666,248
Council discretionary reserve expenses (Note 8)		**(324,011)**	(774,138)
Write-off of building improvements (Note 9)		**(945,247)**	–
Excess of revenue over expenses		**24,794**	1,892,110
Reclassification adjustment for gains recognized during the year in the statement of operations		**(208,427)**	(23,503)
Change in unrealized (losses) gains on available for sale financial assets		**(26,713)**	81,621
Loss on derivative designated as cash flow hedge (Note 5)		**(767,871)**	(402,930)
Reserve balance, beginning of year		**14,451,559**	12,904,261
Reserve balance, end of year		$ **13,473,342**	14,451,559

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. NATURE OF OPERATIONS

The Association of Professional Engineers of Ontario (PEO) is incorporated by an act of the legislature of the Province of Ontario. Its principal activities include regulating the practice of professional engineering, and establishing and maintaining standards of knowledge, skill and ethics among its members in order to protect the public interest. As a not-for-profit professional membership organization, it is exempt from tax under section 149(1) of the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards applicable to not-for-profit organizations and reflect the following accounting policies:

(a) Financial instruments

The association has classified each of its financial instruments into the undernoted accounting categories. The category for an item determines its accounting treatment under the Canadian Institute of Chartered Accountants' (CICA) standards on the recognition, measurement and presentation of financial instruments for not-for-profit organizations.

Financial instruments	Category
Cash	Held-for-trading
Marketable securities	Available for sale
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held-for-trading items are measured at fair value, with changes in their fair value recognized in the statement of revenue, expenses and change in operating reserve in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other liabilities are measured at amortized cost, using the effective interest method.

The fair value of marketable securities is determined directly from published price quotations in an active market.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate respective fair values due to their relatively short-term maturity. The carrying value of long-term debt and vendor mortgage approximate fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions of similar items.

Transaction costs are expensed as incurred.

As allowed under section 3855 "Financial Instruments–Recognition and Measurement," the association has elected not to account for non-financial contracts as derivatives and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The association has elected to follow the disclosure requirements of section 3861 "Financial Instruments–Disclosure and Presentation" of the CICA handbook.

b) Derivative instruments–Interest rate swap

The association has entered into an interest rate swap agreement in order to manage the impact of fluctuations in interest rate on its long-term debt. The association's policy is not to utilize derivative instruments for trading or speculative purposes.

The interest rate swap held by the association is eligible for hedge accounting. To be eligible for hedge accounting, an instrument should meet generally accepted criteria with respect to identification, designation, documentation and effectiveness of the hedging relationship.

The fair value of derivative instruments eligible for cash flow hedge flow accounting is recognized on the balance sheet. The effective portion of changes in fair value of the hedging derivative is recorded directly in the operating reserve while the ineffective portion, if any, is recognized in other income. When the hedging instrument is sold, terminated or ceases to be effective prior to maturity, hedge accounting is ceased prospectively and any gains or losses previously recorded in the operating reserve are recognized in earnings in the same period as those on the hedged item. When the hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument, any gains or losses previously recorded in the operating reserve are recognized immediately in other income.

Income and expenses on derivative instruments that are designated as hedges are recognized in the statement of revenues, expenses and changes in operating reserve in the same period as the related hedged item. For interest rate swaps, this accounting treatment results in interest expense on long-term debt being reflected in the statement of revenues, expenses and changes in operating reserve at the hedged fixed rate rather than at their original contractual interest rates. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value with changes in fair value recorded in the statement of revenues, expenses and changes in operating reserve.

(c) Revenue recognition

Licence fee revenue is recognized as income on a monthly basis over the licence period. Other revenues are recognized when the related services are provided.

(d) Donated services

The association receives substantial donated services from its membership through participation on council and committees and as chapter executives. Donations of services are not recorded in the accounts of the association.

(e) Employee future benefits

The association accrues its obligations under employee benefit plans and the related costs, net of plan assets. The association has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method pro-rated on service, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health-care costs.
- The pension plan assets are valued at fair market value.
- Based on an actuarial assessment that is conducted every three years, the asset base of the pension plan may have to be adjusted and the amount of the adjustment could be material. The most recent actuarial valuation was performed as at January 1, 2011.
- All past service costs and actuarial gains or losses arising after January 1, 2000, are amortized starting with the fiscal year following the occurrence in accordance with the requirements of Chapter 3461 of the CICA handbook.
- The excess of the unamortized cumulative actuarial gains and losses, as of the beginning of the period, over 10 per cent of the greater of the pension plans' liabilities and market value of assets at the same date, will be amortized over the employee average remaining service lifetime of active members, which is nine years as at January 1, 2011.
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(f) Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis at the following annual rates.

Building	2%
Building improvements	5%
Building improvements–Common area	3.3% to 10%
Furniture, fixtures and telephone equipment	10%
Audio-visual	20%
Computer hardware and software	33%

The association's investment in capital assets is included as part of total operating reserve on the balance sheet.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include capital assets, accrued liabilities and employee future benefits.

3. CAPITAL ASSETS

During the year, building improvements with a cost of $1,007,980 and accumulated amortization of $62,733 were written off. Refer to Note 9 for details.

			2011	2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Building	**19,414,668**	**1,089,727**	**18,324,941**	18,713,235
Building improvements	**6,745,747**	**367,308**	**6,378,439**	3,897,404
Building improvements –Common area	**5,993,968**	**173,557**	**5,820,411**	121,563
Land	**4,366,303**	**-**	**4,366,303**	4,366,303
Furniture, fixtures and telephone equipment	**1,295,429**	**213,737**	**1,081,692**	693,068
Audio-visual	**330,904**	**48,202**	**282,702**	259,423
Computer hardware and software	**2,043,614**	**1,389,324**	**654,290**	508,809
	40,190,633	**3,281,855**	**36,908,778**	28,559,805

4. BUILDING OPERATIONS

PEO maintains accounting records for the property located at 40 Sheppard Avenue West, Toronto, ON as a stand-alone operation for internal purposes. The results of the operation of the building, prior to the elimination of recoveries and expenses related to PEO, are as follows:

	2011	2010
	$	$
Revenue		
Rental	**902,179**	979,665
Operating cost reimbursements—tenants	**1,264,988**	1,139,544
Parking	**114,950**	127,255
Miscellaneous	**72,263**	73,872
	2,354,380	2,320,336
Operating cost reimbursements—PEO	**773,079**	543,545
Total revenue	**3,127,459**	2,863,881
Recoverable expenses		
Property taxes	**624,867**	626,589
Utilities	**429,976**	416,044
Amortization	**253,301**	-
Janitorial	**239,717**	158,114
Payroll	**176,335**	163,244
Repairs and maintenance	**120,796**	139,600
Property management and advisory fees	**76,339**	90,000
Administrative	**29,184**	41,953
Insurance	**18,525**	18,752
Road and ground	**14,303**	19,047
Security	**13,586**	14,503
	1,996,929	1,687,846
Other expenses		
Amortization of deferred cost	**18,600**	18,600
Amortization of building	**388,293**	388,293
Interest expense on note and loan payable	**613,520**	666,993
Leasing fees	**22,949**	62,690
	1,043,362	1,136,576
Total expenses	**3,040,291**	2,824,422
Excess of revenue over expenses	**87,168**	39,459

For purposes of the statement of revenue, expenses and changes in operating reserve, the revenue reported above earned from PEO is eliminated. The portion of costs allocated to PEO is reallocated from building expenses to occupancy costs.

	2011	2010
	$	$
Building reserve per above	**3,127,459**	2,863,681
Eliminated PEO	**(773,079)**	(543,545)
	2,354,380	2,320,136
Building expenses per above	**3,040,291**	2,824,422
Eliminated PEO	**(773,079)**	(543,545)
	2,267,212	2,280,877

5. BUILDING FINANCING

In 2009, the association financed $14,100,000 of the cost of its building acquisition with a credit facility from the Bank of Montreal, Capital Markets Division. The facility is secured by a first mortgage on the property located at 40 Sheppard Avenue West, a general security agreement, and a general assignment of tenant leases. This facility matures on March 11, 2019, and bears a floating interest rate based on variable bankers' acceptances. The balance outstanding at December 31, 2011 is $11,930,000. Principal repayments are due as follows:

	$
2012	830,000
2013	854,000
2014	878,000
2015	901,000
2016	928,000
2017-2019	7,539,000
	11,930,000

The association has entered into a swap agreement related to this loan whereby the floating rate debt is swapped for a fixed rate debt with an interest rate of 4.95 per cent and settled on a net basis. The start date of the swap was March 11, 2009, with a maturity date of March 11, 2019. The fair value of the interest rate swap was calculated using the discounted cash flow method. The fair value of the swap at December 31 was $(746,901) (2010–$20,970) and is reflected as a liability on the balance sheet. The decrease in fair value of $767,871 is recorded as a decrease in the operating reserve from 2010.

The association had financed $1,000,000 of the cost of its building acquisition with a vendor mortgage at an interest rate of 4.95 per cent and maturity date of March 11, 2010. This amount was repaid on the maturity date.

6. EMPLOYEE FUTURE BENEFITS

The association's pension plans and post-retirement benefits plan covering substantially all employees (full-time and retirees), are defined benefit plans as defined in section 3461 of the CICA handbook. The pension plans provide pension benefits based on length of service and final average earnings. The post-retirement benefits plan provides hospitalization, extended health care and dental benefits to active and retired employees. Participation in the pension plans and benefits plan (for post-retirement benefits) has been closed to all new employees as of May 1, 2006. All employees joining after this date have the option of participating in a self-directed defined contribution plan. During the year, the association recognized $107,730 (2010–$91,740) in employer contributions to the self-directed defined contribution plan.

The funded status of the association's pension plans and post-retirement benefit plan using actuarial assumptions as of December 31, 2011 was as follows:

	Basic pension plan	**Supplemental pension plan**	**Other non-pension benefit plan**	**Total**
	$	**$**	**$**	**$**
Accrued benefit obligation	**(19,642,086)**	**(989,268)**	**(10,761,782)**	**(31,393,136)**
Plan assets at fair value	**14,009,400**	**1,477,968**	**-**	**15,487,368**
Funded status–plan surplus (deficit)	**(5,632,686)**	**488,700**	**(10,761,782)**	**(15,905,768)**
Unamortized transitional obligation	**(136,894)**	**132,200**	**545,332**	**540,638**
Unamortized net actuarial loss	**6,111,605**	**277,630**	**2,725,756**	**9,114,991**
Accrued benefit asset (liability)	**342,025**	**898,530**	**(7,490,694)**	**(6,250,139)**

Details of the accrued benefit obligation are as follows:

	Basic pension plan	**Supplemental benefit plan**	**Other non-pension benefit plan**	**Total**
	$	**$**	**$**	**$**
Accrued benefit obligation, beginning of year	**(17,698,941)**	**(889,264)**	**(9,261,067)**	**(27,849,272)**
Current service cost	**(721,794)**	**(23,298)**	**(354,577)**	**(1,099,669)**
Contributions by the employees	**(226,788)**	**-**	**-**	**(226,788)**
Interest cost on accrued benefit obligation	**(943,417)**	**(46,499)**	**(501,396)**	**(1,491,312)**
Benefit payments	**1,128,560**	**53,735**	**130,482**	**1,312,777**
Actuarial gain (loss) on accrued benefit obligation	**(1,179,706)**	**(83,942)**	**(775,224)**	**(2,038,872)**
Accrued benefit obligation, end of year	**(19,642,086)**	**(989,268)**	**(10,761,782)**	**(31,393,136)**

The plan expense for the year is determined as follows:

	Basic pension plan	Supplemental pension plan	Other non-pension benefit plan	Total
	$	$	$	$
Current service cost	**721,794**	**23,298**	**354,577**	**1,099,669**
Interest cost on accrued benefit obligation	**943,417**	**46,499**	**501,396**	**1,491,312**
Expected return on plan assets	**(937,795)**	**(47,661)**	**-**	**(985,456)**
Amortization of transitional obligation	**(22,815)**	**26,500**	**90,889**	**94,574**
Amortization of net actuarial gain	**116,413**	**-**	**113,825**	**230,238**
Benefit expense	**821,014**	**48,636**	**1,060,687**	**1,930,337**

The employer contributions to the plans amounted to $1,468,005 ($847,606 in 2010). The increase in contributions reflects the most recent actuarial valuation performed as at January 1, 2011.

The significant actuarial assumptions adopted in measuring the association's accrued benefit obligation are as follows:

	Basic pension plan	Supplemental pension plan	Other non-pension benefit plan
	%	%	%
Discount rate	**4.50**	**4.50**	**4.50**
Expected long-term rate of return on plan assets	**6.25**	**3.13**	**6.25**
Salary projection	**3.00**	**3.00**	**3.00**
Medical benefits cost escalation			
Hospitalization			**(a)**
Extended health care			**(b)**
Dental benefits cost escalation			**(c)**

(a) 7.5 per cent cost escalation in fiscal 2012, decreasing 0.75 per cent per year, until an ultimate rate of 5 per cent per annum

(b) A 10 per cent cost escalation in fiscal 2012, decreasing 1.00 per cent per year, until an ultimate rate of 5 per cent per annum

(c) A 4.5 per cent cost escalation per annum

7. OPERATING RESERVE

The operating reserve of the association is restricted to be used at the discretion of council and includes the following:

	2011	2010
	$	$
Unrealized gains on available-for-sale financial instruments	**40,904**	275,633
Fair value of derivative designated as cash flow hedge	**(746,901)**	20,970
	(705,997)	296,603

The association's investment in capital assets of $24,978,779 (2010–$15,821,805) is also included as part of the operating reserve.

8. COUNCIL DISCRETIONARY RESERVE

The discretionary reserve is an internal allocation from the operating reserve used at the discretion of council to fund expenses related to special projects approved by council. Expenditures from the discretionary reserve were as follows:

	2011 Actual	2010 Actual
	$	$
Referendum	**117,437**	-
Repeal Industrial Exception Task Force	**88,020**	84
Emerging Disciplines Task Force	**62,608**	15,910
Global Engineering Workshop	**23,064**	-
Complaints and Discipline Task Force	**14,927**	463
National Framework Task Force	**9,061**	1,701
Legal reserve	**6,502**	-
2011 Transition Team	**6,045**	-
Licensed Specialties Task Force	**3,504**	-
Engineering and Natural Science Task Force	**1,020**	362
Building Development Committee	**656**	23,247
Professional Technologist Task Force	**148**	681
Centre for Engineering & Public Policy	**-**	451,889
Sponsorship	**-**	198,934
Province-wide Mentoring Program	**-**	45,033
Council policy projects	**-**	15,955
PEO licence plate program	**(8,981)**	14,911
Task force activities	**-**	4,968
	324,011	774,138

9. WRITE-OFF OF BUILDING IMPROVEMENTS

During the year, previously capitalized building improvement costs totaling $945,247 were written off. The improvements were incurred in 2009 and 2010 in order to facilitate the move from 25 Sheppard Ave. West. Management has determined that there is no ongoing benefit arising from these costs.

10. FULL-TIME SALARIES AND BENEFITS

During the year, the association incurred a total of $9,817,995 (2010–$8,296,798) for salary and benefits costs for its full-time staff of which $158,409 (2010–$61,872) was directly attributable to special projects approved by council.

11. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2011	2010
	$	$
Accounts receivable	**(828,450)**	(48,471)
Prepaid expenses	**(56,788)**	41,962
Accounts payable and accrued liabilities	**(288,216)**	500,547
Fees in advance and deposits	**(106,281)**	249,399
	(1,279,735)	743,437

12. TRUST ACCOUNTS

The association maintains a separate bank account for the Council of Ontario Deans of Engineering. Cash totaling $75,111 (2010–$73,297) is not reported on the association's balance sheet, as it is held in trust for the council.

13. COMMITMENTS

The association has obligations under non-cancelable operating leases for various service agreements. The payments to the expiry of the leases and agreements are as follows:

	$
2012	42,000

14. CHAPTERS OF THE ASSOCIATION

The financial information of the 36 chapters of the association has not been consolidated in these financial statements, as such information is considered to be insignificant. Furthermore, management believes that the effort and cost required to prepare financial statements from each chapter for consolidation purposes far exceed the benefits from doing so.

During the year, the association paid chapter expenses totaling $598,260 (2010–$550,902), including $391,000 (2010–$391,000) in chapter allotments and $207,260 (2010–$159,102) in other disbursements to individual chapters. In 2011, the association also incurred additional costs of $499,302 (2010–$412,973) related to chapter operations including staff salaries and benefits, and for various support activities. These amounts have been included in the various operating reserve expenses reported on the statement of revenue and expenses.

15. CAPITAL MANAGEMENT

The association defines its capital as its operating reserve, which includes its investment in capital assets, and its fees in advance and deposits.

The association manages its capital, in part with the assistance of an investment counsel in accordance with an investment policy that takes into account the association's risk/return profile along with its working capital requirements. Any projects or undertakings of a strategic nature are undertaken only after authorization from council.

The association's short-term objective is to have sufficient liquidity to ensure continuity in its operations despite events with adverse financial consequences. Its long-term objective is to have the flexibility to implement new initiatives as per council directives to meet its members' needs and to support the growth and expansion of PEO's regulatory and regulatory support activities in order that the public interest may be served and protected.

Under its various borrowing agreements, the association must satisfy certain covenants with respect to reporting requirements. During the year, the association complied with these requirements.

16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

17. FUTURE ACCOUNTING CHANGES

In December 2010, the CICA issued a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between international financial reporting standards (IFRSs) and Canadian accounting standards for not-for-profit organizations. Early adoption of these standards is permitted. The association currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on January 1, 2012. The impact of transitioning to these new standards has not been determined at this time.